

(b) *Interest rate.* (1) Each security shall bear a variable rate of interest based on an adjustment of the average yield for three-month Treasury bills at the most recent auction. A new rate is effective on the first business day following the regular auction of three-month Treasury bills and is shown in the SLGS rate table, available to the

public on such business day. Interest is accrued and added to principal daily. Interest is computed on the balance of the principal, plus interest accrued through the preceding day.

(2)(i) The annualized effective demand deposit rate in decimals, designated “I” in Equation 1 is calculated as:

$$I = \left[ \left( \frac{100}{P} \right)^{Y/DTM} - 1 \right] \times (1 - MTR) - TAC$$

(Equation 1)

where

P=Average auction price for the most recently auctioned 13-week Treasury bill, per hundred, to three decimals.

Y=365 if the year following issue date does not contain a leap year day and 366 if it does contain a leap year day.

DTM=The number of days from date of issue to maturity for the most recently auctioned 13-week Treasury bill.

MTR=Estimated marginal tax rate, in decimals, of purchasers of tax-exempt bonds.

TAC=Treasury administrative costs, in decimals.

(ii) The daily factor for the demand deposit rate is then calculated as follows:

$$DDR = (1 + I)^{1/Y} - 1$$

(Equation 2)

(3) Information on the estimated average marginal tax rate and costs for administering the demand deposit State and Local Government Series securities program, both to be determined by Treasury from time to time, will be published in the FEDERAL REGISTER.

(c) *Payment.* Interest earned on the securities is added to the principal and is reinvested daily until redemption. At any time the Secretary determines that issuance of obligations sufficient to conduct the orderly financing oper-

ations of the United States cannot be made without exceeding the statutory debt limit, the Department will invest any unredeemed demand deposit securities in special ninety-day certificates of indebtedness. These ninety-day certificates are payable at maturity, but redeemable before maturity, provided funds are available for redemption, or reinvested in demand deposit securities when regular Treasury borrowing operations resume, both at the owner's option. Funds invested in the ninety-day certificates of indebtedness earn simple interest equal to the daily factor in effect at the time demand deposit security issuance is suspended, multiplied by the number of days outstanding.

#### § 344.7 Subscription for purchase.

(a) *Subscription requirements.* Subscriptions for purchase of securities under this offering must be submitted to the Division of Special Investments, Bureau of the Public Debt, 200 Third Street, P.O. Box 396, Parkersburg, WV 26102-0396. Subscriptions must be submitted on a designated Treasury form, must specify the principal amount invested and the issue date, and must be signed by an official authorized to make the purchase. The Bureau of the Public Debt must receive the subscription at least five days before the issue date for subscriptions of \$10 million or less and at least seven days before the issue date for subscriptions of more than \$10 million. Subscriptions for \$10 million or less can be canceled without

penalty up to five days prior to the issue date. Subscriptions for more than \$10 million can be canceled without penalty up to seven days prior to the issue date. The subscription can be submitted by fax at (304) 480-6818, by certified or registered mail, or by other carrier. If faxed, the original subscription form must be received by the Division of Special Investments by 3:00 p.m., Eastern time, on the issue date. Public Debt will not accept subscriptions for demand deposit securities more than 60 days prior to the issue date.

(b) *Amending subscriptions.* The principal amount to be invested can be changed without penalty on or before the issue date, but no later than 1:00 p.m. Eastern time, on the issue date. The request must be clearly identified as an amendment and must be followed immediately by the submission, by mail or other carrier, of written notification. Where an amendment is not submitted timely, the Division of Special Investments can determine, pursuant to the provisions governing waiver of regulations set forth under 31 CFR 306.126, that such an amendment is acceptable on an exception basis. Where an amendment is determined acceptable on an exception basis, the amended information shall be used as the basis for issuing the securities, and an administrative fee of \$100 per subscription is then assessed. This administrative fee is due on demand as provided for in § 344.1(h). The Secretary reserves the right to reject amendments which are not submitted timely.

#### § 344.8 Issue date and payment.

The subscriber shall fix the issue date on the subscription at least five days after receipt of the subscription by the Division of Special Investments for subscriptions of \$10 million or less and seven days after receipt of the subscription by the Division of Special Investments for subscriptions of more than \$10 million. Full payment for each subscription must be submitted by the Fedwire funds transfer system with credit directed to the Treasury's General Account. Full payment should be received by the Division of Special Investments by 3:00 p.m., Eastern time,

to ensure that settlement on the securities occurs on the issue date.

#### § 344.9 Redemption.

(a) *General.* A security can be redeemed at the owner's option, provided a request for redemption is received not less than one business day prior to the requested redemption date for redemptions of \$10 million or less and received not less than three business days for redemptions of more than \$10 million. Partial redemptions can be requested in any amount; however, an account balance of less than \$1,000 is redeemed in total. Payment is made by Fedwire.

(b) *Notice.* Notice of redemption must be submitted, either on a designated Treasury form or by letter, by the official(s) authorized to redeem the securities, as shown on the subscription form, to the Division of Special Investments, Bureau of the Public Debt, 200 Third Street, P.O. Box 396, Parkersburg, WV 26102-0396. The notice can be submitted by fax to the Bureau of the Public Debt at (304) 480-6818, by mail, or by other carrier. The notice must show the account number and the Tax Identification Number of the government body. The notice of redemption must be received at the Bureau of the Public Debt by 1:00 p.m., Eastern time on the required day.

### Subpart D—Special Zero Interest Securities

#### § 344.10 General.

Provisions of subpart B of this part (Time Deposit Securities) apply except as specified in subpart D of this part. Special zero interest securities can not be subscribed for after October 28, 1996. All zero interest securities subscribed for after October 28, 1996 will be zero interest time deposit securities, subject to the rules of subpart B of this part.

#### § 344.11 Redemption.

(a) *Before maturity.* Provisions of § 344.5(a) apply. In general, a security can be redeemed at the owner's option no earlier than twenty-five days after the issue date in the case of a certificate and one year after the issue date in the case of a note. No market charge